

**STATE OF MICHIGAN**  
**DEPARTMENT OF LABOR AND ECONOMIC GROWTH**  
**OFFICE OF FINANCIAL AND INSURANCE SERVICES**  
**Before the Commissioner of Financial and Insurance Services**

**In the matter of Blue Cross Blue  
Shield of Michigan's Application  
For Rate Increases for Nongroup  
and Group Conversion Enrollees**

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**Order No. 05-005-BC**

**ORDER APPROVING NONGROUP AND GROUP  
CONVERSION RATES  
January 24, 2005**

**I  
BACKGROUND**

On October 5, 2004, the Commissioner of Financial and Insurance Services ("Commissioner") received from Blue Cross Blue Shield of Michigan ("BCBSM") filings of proposed rates and supporting information for its nongroup and group conversion lines of business. The proposed effective date for the rates change was March 1, 2005. On November 4, 2004, staff of the Office of Financial and Insurance Services (OFIS) found the filings to be in substantial and material compliance with the information requirements of the Nonprofit Health Care Corporation Reform Act ("Act"), MCL 550.1101 et seq. and officially received the filings as provided in the Act.

Through these filings, BCBSM requested a composite increase of 20.2% for its nongroup enrollees and 13.8% for group conversion subscribers, with a proposed effective date of March 1, 2005.

As required by MCL 550.1612(1), BCBSM placed advertisements giving notice of the rate change requests in the Detroit News (statewide edition), the Grand Rapids Free Press, the Lansing State Journal, and the Marquette Mining Journal. The notices appeared on November 17, 2004. The notices specified the nature and extent of the proposed rate revisions and stated that a copy of the rate filings and the supporting information was available for public inspection and copying Monday through Friday, 8:00 a.m. to 5:00 p.m., at the OFIS offices. OFIS also provided public notice of the rate filings, as required by MCL 550.1612(1), by mailing notice of the nature and extent of the proposed rate revisions, along with information about how to examine and copy the rate filings. This was provided to the 15 persons who requested notice of the nongroup filing and the 15 persons who requested notice of the group conversion filing.

On November 23, 2004, a 60-day intervention period began during which a person with standing could request an evidentiary hearing on disputed portions of the filings. Unless a hearing is requested, the Act requires the Commissioner to act on the filings on the 60<sup>th</sup> day by approving, disapproving, or approving the filings with modifications. No requests for intervention were received during this period, and the Commissioner proceeded with making a determination on the filings.

## **II ISSUE**

The principal issue is:

1. Whether BCBSM has met its statutory requirements under MCL 550.1101 et seq. in the filings of its proposed rates for the nongroup and group conversion membership business segments.

### **III DISCUSSION**

At the time this filing was submitted, there were approximately 60,000 enrollees in the group conversion pool and 37,000 nongroup members. BCBSM offers the option of twelve (12) benefit plans to both its nongroup and group conversion subscribers. The two high-option benefit plans, Options A and F, offer benefits with no copay or deductible requirements. Nine (9) benefit of the options require members to share costs for covered services. Some of these benefit plans have deductible requirements, some plans have no deductible requirements but require copays for services up to a particular dollar limit, and other plans require members to share costs both through deductibles and copays.

Included in this filing for the first time is a twelfth plan, the Individual Care (IC) Blue PPO. This product was developed and marketed pursuant to Public Act 41 of 2003, which added MCL 550.1401i to the Act. P.A. 41 of 2003 required BCBSM to establish an individual age-rated product that includes a limited prescription drug benefit. Because this product was new on January 1, 2004, there is not yet enough claims experience from which to develop rates separately from BCBSM's other nongroup and group conversion benefit options. BCBSM, therefore, proposed increasing the Individual Care Blue rates in a manner consistent with the original rate filing for the product.

OFIS staff has analyzed all of the elements of the filing and the supporting materials as submitted by BCBSM. During the analysis, staff directed a great deal of scrutiny to BCBSM's request to reduce the group conversion subsidy from .5% to .4%. One half of one percent (.5%) is paid by BCBSM's underwritten group customers to subsidize the group conversion business segment. Since 2000, BCBSM's group

conversion enrollment has nearly doubled, and BCBSM's underwritten group business has declined in enrollment. The Commissioner expressed great concern over BCBSM's proposed reduction in the group conversion subsidy at a time when fewer people contribute toward a subsidy used to offset costs for a growing membership pool. BCBSM subsequently agreed to reinstate the group conversion subsidy at the .5% level. This change reduced the original 13.8% group conversion composite increase to 11.5%.

In these filings, BCBSM based its need for increased premium rates due to projected 2004 losses of \$12.2 million in the nongroup line and \$10.6 million in losses in the group conversion line of business.

OFIS staff discussed with BCBM how the filings might be modified to offset BCBSM's projected losses in these lines of business while ameliorating the level of the rate increase for the nongroup and group conversion subscribers. The Commissioner and BCBSM were subsequently able to agree that the filings be modified as follows:

- 1) A composite rate increase of 15% for nongroup subscribers
- 2) A composite rate increase of 9.8% for group conversion subscribers

On January 20, 2005, BCBSM submitted revised rate schedules reflecting the modified rates.

#### **IV FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Based upon the foregoing and the files and records of OFIS in this matter, the Commissioner FINDS and CONCLUDES that:

1. The Commissioner has jurisdiction and authority to issue this Order pursuant to Section 608(1) and Section 610 of the (Act); MCL 550.1608(1) and 550.1610.

2. The rates to be billed, as attached, to nongroup and group conversion subscribers produce total rates that meet the standard set forth in Section 608(1) of the (Act), MCL 550.1608(1) and otherwise meet the requirements of the (Act).
3. The .5% group conversion subsidy as currently paid by BCBSM's group customers will remain at its current level.

**V**

**ORDER**

Therefore, it is ORDERED that the rates as attached to this order are approved with an effective date of March 1, 2005.

The Commissioner specifically retains jurisdiction of the matters contained herein and the authority to issue such further order or orders, as she shall deem just, necessary, and appropriate.

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Joan Moiles  
Deputy Commissioner

**BLUE CROSS AND BLUE SHIELD OF MICHIGAN  
NONGROUP INDIVIDUAL CARE BLUE (OPTION Q )  
RATE COMPARISON**

	ONE PERSON			TWO PERSON			FAMILY			RIDER FC		
	Current Rate	Proposed Rate	% of Increase	Current Rate	Proposed Rate	% of Increase	Current Rate	Proposed Rate	% of Increase	Current Rate	Proposed Rate	% of Increase
<b>BLUE CROSS</b>												
Under 25	\$55.79	\$60.53	8.50%	\$111.57	\$121.05	8.50%	\$117.15	\$127.11	8.50%	\$40.67	\$44.13	8.51%
25 - 29	\$68.65	\$74.48	8.49%	\$137.29	\$148.95	8.49%	\$144.15	\$156.40	8.49%	\$40.67	\$44.13	8.51%
30 - 34	\$72.21	\$78.35	8.50%	\$144.42	\$156.70	8.50%	\$151.65	\$164.54	8.50%	\$40.67	\$44.13	8.51%
35 - 39	\$77.54	\$84.13	8.50%	\$155.08	\$168.26	8.50%	\$162.83	\$176.67	8.50%	\$40.67	\$44.13	8.51%
40 - 44	\$86.57	\$93.93	8.50%	\$173.14	\$187.86	8.50%	\$181.79	\$197.25	8.50%	\$40.67	\$44.13	8.51%
45 - 49	\$100.54	\$109.08	8.49%	\$201.07	\$218.15	8.49%	\$211.13	\$229.06	8.49%	\$40.67	\$44.13	8.51%
50 - 54	\$122.29	\$132.69	8.50%	\$244.58	\$265.38	8.50%	\$256.81	\$278.65	8.50%	\$40.67	\$44.13	8.51%
55+	\$180.19	\$195.51	8.50%	\$360.39	\$391.03	8.50%	\$378.40	\$410.58	8.50%	\$40.67	\$44.13	8.51%
<b>BLUE SHIELD</b>												
Under 25	\$31.75	\$34.45	8.50%	\$63.50	\$68.90	8.50%	\$66.68	\$72.35	8.50%	\$23.15	\$25.11	8.47%
25 - 29	\$39.07	\$42.39	8.50%	\$78.14	\$84.78	8.50%	\$82.05	\$89.02	8.50%	\$23.15	\$25.11	8.47%
30 - 34	\$41.10	\$44.59	8.49%	\$82.20	\$89.18	8.49%	\$86.31	\$93.64	8.49%	\$23.15	\$25.11	8.47%
35 - 39	\$44.13	\$47.88	8.50%	\$88.26	\$95.76	8.50%	\$92.68	\$100.55	8.50%	\$23.15	\$25.11	8.47%
40 - 44	\$49.27	\$53.46	8.50%	\$98.54	\$106.92	8.50%	\$103.47	\$112.27	8.50%	\$23.15	\$25.11	8.47%
45 - 49	\$57.22	\$62.09	8.51%	\$114.44	\$124.18	8.51%	\$120.17	\$130.39	8.51%	\$23.15	\$25.11	8.47%
50 - 54	\$69.60	\$75.52	8.51%	\$139.21	\$151.05	8.51%	\$146.17	\$158.60	8.51%	\$23.15	\$25.11	8.47%
55+	\$102.56	\$111.28	8.50%	\$205.12	\$222.56	8.50%	\$215.37	\$233.69	8.50%	\$23.15	\$25.11	8.47%
<b>PRES. DRUG</b>												
Under 25	\$21.68	\$23.52	8.49%	\$43.36	\$47.04	8.49%	\$45.52	\$49.39	8.49%	\$26.58	\$28.84	8.50%
25 - 29	\$32.29	\$35.04	8.52%	\$64.58	\$70.08	8.52%	\$67.81	\$73.59	8.52%	\$26.58	\$28.84	8.50%
30 - 34	\$41.23	\$44.74	8.51%	\$82.47	\$89.49	8.51%	\$86.59	\$93.96	8.51%	\$26.58	\$28.84	8.50%
35 - 39	\$52.98	\$57.48	8.49%	\$105.97	\$114.97	8.49%	\$111.26	\$120.71	8.49%	\$26.58	\$28.84	8.50%
40 - 44	\$65.83	\$71.42	8.49%	\$131.65	\$142.83	8.49%	\$138.24	\$149.97	8.49%	\$26.58	\$28.84	8.50%
45 - 49	\$83.65	\$90.76	8.50%	\$167.30	\$181.52	8.50%	\$175.66	\$190.59	8.50%	\$26.58	\$28.84	8.50%
50 - 54	\$106.28	\$115.32	8.51%	\$212.56	\$230.64	8.51%	\$223.19	\$242.17	8.51%	\$26.58	\$28.84	8.50%
55+	\$153.11	\$166.13	8.50%	\$306.22	\$332.26	8.50%	\$321.53	\$348.87	8.50%	\$26.58	\$28.84	8.50%
<b>COMBINED</b>												
Under 25	\$109.22	\$118.50	8.50%	\$218.43	\$236.99	8.50%	\$229.36	\$248.84	8.50%	\$90.39	\$98.07	8.50%
25 - 29	\$140.01	\$151.91	8.50%	\$280.01	\$303.81	8.50%	\$294.02	\$319.01	8.50%	\$90.39	\$98.07	8.50%
30 - 34	\$154.55	\$167.69	8.50%	\$309.09	\$335.37	8.50%	\$324.55	\$352.14	8.50%	\$90.39	\$98.07	8.50%
35 - 39	\$174.65	\$189.49	8.50%	\$349.31	\$378.99	8.50%	\$366.77	\$397.94	8.50%	\$90.39	\$98.07	8.50%
40 - 44	\$201.67	\$218.81	8.50%	\$403.33	\$437.61	8.50%	\$423.50	\$459.49	8.50%	\$90.39	\$98.07	8.50%
45 - 49	\$241.41	\$261.93	8.50%	\$482.81	\$523.85	8.50%	\$506.96	\$550.05	8.50%	\$90.39	\$98.07	8.50%
50 - 54	\$298.18	\$323.54	8.51%	\$596.35	\$647.07	8.51%	\$626.17	\$679.43	8.51%	\$90.39	\$98.07	8.50%
55+	\$435.86	\$472.92	8.50%	\$871.72	\$945.84	8.50%	\$915.31	\$993.13	8.50%	\$90.39	\$98.07	8.50%